

HOUSE BILL 322

51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014

INTRODUCED BY

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AN ACT

RELATING TO TAXATION; CREATING THE LONG-TERM CARE INSURANCE TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Income Tax Act is enacted to read:

"[NEW MATERIAL] LONG-TERM CARE INSURANCE TAX CREDIT.--

A. A taxpayer who files an individual New Mexico income tax return, who is not a dependent of another individual and who pays the premiums for a long-term care insurance policy may claim a credit against the taxpayer's tax liability imposed pursuant to the Income Tax Act in an amount equal to the premium paid. The tax credit provided in this section may be referred to as the "long-term care insurance tax credit".

B. The purpose of the long-term care insurance tax

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1 credit is to encourage an individual to purchase long-term care  
2 insurance.

3 C. A taxpayer may claim the long-term care  
4 insurance tax credit in the taxable year in which the taxpayer  
5 pays the premiums for a long-term care insurance policy. The  
6 taxpayer shall claim the credit within one year following the  
7 end of the calendar year in which the taxpayer pays the  
8 premiums for a long-term care insurance policy.

9 D. That portion of the tax credit approved by the  
10 department that exceeds a taxpayer's income tax liability in  
11 the taxable year in which the credit is claimed shall not be  
12 refunded to the taxpayer. The tax credit shall not be carried  
13 forward or transferred to another taxpayer.

14 E. The taxpayer shall submit an application to the  
15 human services department that identifies the long-term care  
16 insurance policy that qualifies the taxpayer for the tax credit  
17 by policy number, terms and any other information that the  
18 human services department requires to determine the eligibility  
19 of the taxpayer for the tax credit.

20 F. The human services department shall adopt rules  
21 establishing procedures to certify a taxpayer for the purposes  
22 of obtaining a long-term care insurance tax credit. The rules  
23 shall ensure that a taxpayer claims the credit in an amount  
24 based on the amount of premium paid in the taxable year. The  
25 human services department shall issue a dated certificate of

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1 eligibility containing the taxpayer's information, the amount  
2 of long-term care insurance tax credit for which the taxpayer  
3 is eligible and any other information required by the taxation  
4 and revenue department. All certificates of eligibility issued  
5 pursuant to this subsection shall be sequentially numbered, and  
6 an account of all certificates issued or destroyed shall be  
7 maintained by the human services department. The taxation and  
8 revenue department shall audit the records of the long-term  
9 care insurance tax credit maintained by the human services  
10 department on a periodic basis to ensure effective  
11 administration of the credit and compliance with the Tax  
12 Administration Act and with this section.

13 G. To claim a long-term care insurance tax credit,  
14 the taxpayer shall provide to the taxation and revenue  
15 department the certificate of eligibility issued by the human  
16 services department pursuant to this section to the taxpayer  
17 for the taxable year in which the tax credit is claimed.

18 H. Married individuals filing separate returns for  
19 a taxable year for which they could have filed a joint return  
20 may each claim only one-half of the long-term care insurance  
21 tax credit that would have been claimed on a joint return.

22 I. The taxation and revenue department and human  
23 services department shall compile an annual report that  
24 includes the number of taxpayers approved to receive the  
25 tax credit, the aggregate amount of credits approved and any

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1 other information necessary to evaluate the effectiveness of  
2 the tax credit. Beginning in 2019 and every three years  
3 thereafter, the departments shall compile and present the  
4 annual reports to the revenue stabilization and tax policy  
5 committee and the legislative finance committee with an  
6 analysis of the effectiveness and cost of the tax credit and  
7 whether the tax credit is performing the purpose for which it  
8 was created.

9 J. As used in this section, "long-term care  
10 insurance policy" means an insurance product that helps provide  
11 for the cost of long-term care beyond a predetermined period,  
12 covers care generally not covered by health insurance, medicare  
13 or medicaid and provides long-term care for individuals who are  
14 generally not sick in the traditional sense but, instead, are  
15 unable to perform the basic activities of daily living."

16 SECTION 2. APPLICABILITY.--The provisions of this act  
17 apply to taxable years beginning on or after January 1, 2014.